

50  
3/22/04



04003914

UNITED STATES  
FINANCIAL SERVICES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

UF3-17-04

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 36229

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stuart Stone & Company LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

171 Ridgedale Ave Suite F

Florham Park

(No. and Street)  
NJ

07932

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Greg Grasso

973 443 8888

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Cohen Greve & Co.

(Name - if individual, state last, first, middle name)

485 Jericho Turnpike

Mineola

NY

11501

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 31 2004**

**FOR OFFICIAL USE ONLY**

**THOMSON  
FINANCIAL**

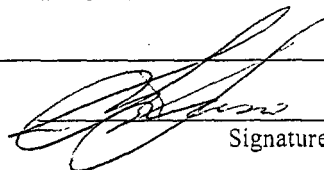
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)


Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, GREGORY S. GRASSO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STUART STONE & Co LLC, as of 12/31/03, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

Gregory S. Grasso  
Title

  
Notary Public DANIEL S. SWINTON  
AN ATTORNEY AT LAW OF N.J.

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

STUART STONE & COMPANY, L.L.C.

FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION

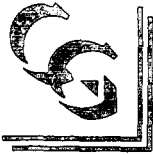
REPORT PURSUANT TO RULE 17a-5

YEAR ENDED DECEMBER 31, 2003

STUART STONE & COMPANY, L.L.C.  
FOR THE YEAR ENDED DECEMBER 31, 2003

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Operations	3
Statement of Cash Flows	4
Statement of Changes in Member's Equity	5
Notes to Financial Statements	6-8
ADDITIONAL INFORMATION	
Computation of Net Capital Pursuant to Rule 15c3-1 Of the Securities and Exchange Commission	10
Statement of Exemption from Requirements of Rule 15c3-3 of the Securities and Exchange Commission	11
Independent Auditors' Report on Internal Accounting Control Required Pursuant to Rule 17a-5 of the Securities and Exchange Commission	12-13



COHEN GREVE & COMPANY CPA, P.C.  
*Certified Public Accountants*

J. Timothy Sherman, CPA  
Sanford J. Schmidt, CPA  
Ellen R. Trageser, CPA  
Marc I. Cohen, CPA  
Henry P. Greve, CPA

INDEPENDENT AUDITORS' REPORT

To the Member of  
Stuart Stone & Company, L.L.C.  
Florham Park, New Jersey

We have audited the accompanying statement of financial condition of Stuart Stone & Company, L.L.C. as of December 31, 2003, and the related statements of operations, changes in member's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stuart Stone & Company, L.L.C. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in pages 10 through 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Specifically omitted is the statement of changes in liabilities subordinated to claims of general creditors due to its inapplicability in the absence of any subordinated liabilities. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mineola, NY  
February 5, 2004

*Cohen Greve & Company*

**STUART STONE & COMPANY, L.L.C.**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2003**

---

ASSETS

Current assets:	
Cash and cash equivalents	\$ 67,083
Restricted cash	15,000
Prepaid expenses	450
Commission receivable	<u>32,960</u>
Total current assets	115,493
Office condominium, at cost, net of accumulated depreciation of \$24,102	<u>182,823</u>
TOTAL ASSETS	<u>\$ 298,316</u>

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:	
Current portion of long-term debt	\$ 3,838
Accrued expenses	<u>78,244</u>
Total current liabilities	82,082
Long -term debt, net of current portion	<u>161,495</u>
Total liabilities	243,577
Member's equity	<u>54,739</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 298,316</u>

**STUART STONE & COMPANY, L.L.C.**  
**STATEMENT OF OPERATIONS**  
**For the Year-Ended December 31, 2003**

---

Revenue:	
Commission	\$ 302,592
Sublease rental income	9,775
Interest and dividends	118
Fee reimbursement	977
	<hr/>
Total Revenue	313,462
Operating expenses	
Commission	194,115
Professional fees	4,900
Communications	2,368
Office	2,801
Interest	8,541
Automobile	6,708
Employee benefits	1,466
Due diligence	400
Insurance	3,698
Miscellaneous	5,134
Taxes - other	2,904
Consulting fees	13,575
Travel	4,028
Depreciation	5,306
Advertising	479
Equipment rental	679
Registration fee	5,167
Outside services	4,550
Repairs	8,636
Supplies	15,731
Utilities	2,793
	<hr/>
Total Expenses	293,979
	<hr/>
NET INCOME	\$ 19,483

**STUART STONE & COMPANY, L.L.C.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2003**

---

Operating Activities:

Net (Loss) Income	\$ 19,483
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	5,306
(Increase) Decrease in Due from Affiliate	1,000
(Increase) Decrease in Prepaid Expense	(450)
Increase in Accrued Expenses	50,480
(Increase) in Accounts Receivable	(28,362)
Total	27,974

NET CASH PROVIDED BY  
OPERATING ACTIVITIES

47,457

Cash flows (used by) Financing Activities  
(Decrease) in Long Term Debt

(7,222)

NET CASH (USED BY)  
FINANCING ACTIVITIES

(7,222)

Net Change in Cash

40,235

Cash at Beginning of Year

41,848

CASH AT END OF YEAR

\$ 82,083

SUPPLEMENTAL INFORMATION

Cash Paid for:

Taxes	\$ -
Interest	\$ 8,541



**STUART STONE & COMPANY, L.L.C.**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
***For the Year Ended December 31, 2003***

---

Balance – January 1, 2003	\$ 35,256
Net Income	<u>19,483</u>
BALANCE – December 31, 2003	<u>\$ 54,739</u>

**STUART STONE & COMPANY, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2003**

---

**NOTE 1 – Summary of Significant Accounting Policies**

**Nature of Business**

Stuart Stone & Company, L.L.C. (the “Company”) is a registered broker/dealer whose principal business activity is the sale of mutual fund shares and other securities to the general public. The Company’s customers are principally located in the New Jersey and New York metropolitan region. The Company is registered with the Securities and Exchange Commission (“SEC”) and is a member of the National Association of Securities Dealers (NASD).

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Restricted Cash**

Restricted cash represents funds set aside in a clearing firm deposit. The Company has executed an agreement that makes the deposit an allowable asset for 15c3 net capital calculations.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, and a money market account that are readily convertible into cash and purchased with original maturities of three months or less.

**Concentration of Credit Risk**

Financial instruments, that potentially subject the Company to concentration of credit risk, consist principally of commissions receivable and marketable securities. The Company’s policies do not require collateral to support commissions receivable. However, because of the diversity of individual accounts which comprise the total commissions receivable balance, and because the marketable securities consists of diversified mutual funds, management does not believe that the Company has any significant credit risk.

**Office Condominium**

The Company’s office condominium is stated at cost. Maintenance and repairs are charged to operations. Depreciation expense is calculated on a straight-line basis over the building’s estimated useful life, which is 39 years. Depreciation expense was \$5,306 for the year ended December 31, 2003.

**Revenue Recognition**

Customers’ securities transactions and the related commission income and expense are recorded on a trade date basis.

**STUART STONE & COMPANY, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2003**

---

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Income Taxes**

As a single-member limited liability company, the Company is treated as a pass-through entity for federal and state income tax purposes. As such, the Company does not pay federal or state income taxes on its taxable income. Instead, the Company's taxable income or loss is reported on the individual income tax return of the Company's sole member, who is responsible for any income taxes that may arise there from.

**NOTE 2- Long Term Debt**

Long-term debt consists of the following:

Adjustable rate note payable to a bank at prime rate plus 1.75%, secured by a mortgage on the Company's office condominium. The interest rate at December 31, 2003 was 5.75%. The monthly installments were interest only. The note is due June 2024. \$ 165,333

Less: current maturities 3,838

Long-term debt, net of current portion \$ 161,495

Long-term-debt matures as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2004	\$ 3,838
2005	4,219
2006	4,638
2007	5,098
2008	5,604
Thereafter	<u>141,036</u>
	<u>\$ 165,333</u>

**NOTE 3 - Related Party Transactions**

Accrued expenses include approximately \$13,400 of payables to related parties. Such liabilities will be satisfied in the normal course of business.

**STUART STONE & COMPANY, L.L.C.**  
**NOTES TO FINANCIAL STATEMENTS**  
***For the Year Ended December 31, 2003***

---

**NOTE 4 – Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (the rule of the “applicable” exchange also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1). At December 31, 2003, the Company has statutory net capital of \$37,249 which is \$36,749 in excess of its required net capital of \$5,000 pursuant to rule 15c3-1(a)(vi). The Company’s net capital ratio is 2.10 to 1. The Company is also in compliance with State of New Jersey Bureau of Securities regulations N.J.S.A. 49:s-57 and 13:47A-1.5, which require the maintenance of minimum net capital.

**NOTE 5 – Officer’s Life Insurance**

The bank holding the mortgage requires that the Company maintain a life insurance policy having a face value of \$185,000 on the life of the Company’s member.

**NOTE 6 – Subsequent Event**

Subsequent to December 31, 2003, the Company decided to significantly reduce its principal business activity, the sale of mutual fund shares and other securities to the general public. The Company is still registered with Securities and Exchanges Commission (“SEC”) and currently maintains its membership in the National Association of Securities Dealers (“NASD”). Currently, the Company is in discussions with interested parties regarding the possible sale of the business. However, the Company does not have any commitments (written or otherwise) from any of these parties and no assurance can be given that the Company will find a potential buyer. Additionally, the sale of the business must be approved by the National Association of Securities Dealers (NASD).

ADDITIONAL INFORMATION

**STUART STONE & COMPANY, L.L.C.**  
**COMPUTATION OF NET CAPITAL PURSUANT TO**  
**RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**For the Year Ended December 31, 2003**

---

NET CAPITAL:	
Member's equity	\$ 54,739
Deductions:	
Non-allowable assets:	
Office condominium, net of accumulated depreciation and mortgage payable	<u>17,490</u>
NET CAPITAL	<u>\$ 37,249</u>
AGGREGATE INDEBTEDNESS:	
Total liabilities	<u>\$ 78,244</u>
Aggregated indebtedness	<u>\$ 78,244</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT	
Minimum net capital required	\$ 5,000
Excess net capital	\$ 36,749
Ratio: Aggregate indebtedness to net capital	2.10:1
RECONCILIATION OF NET CAPITAL PURSUANT TO RULE 17a-5(d)(4) OF THE SECURITIES AND EXCHANGE COMMISSION	
Net capital per Focus Report, Form X-17A-5, Part IIA, filed for the quarter ended December 31, 2003	\$ 45,538
Net audit adjustments	<u>(8,289)</u>
Net capital, December 31, 2003, per computation of net capital included herewith	<u>\$ 37,249</u>

**STUART STONE & COMPANY, L.L.C.**  
**STATEMENT OF EXEMPTION FROM REQUIREMENTS OF RULE 15c3-3**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**  
***For the Year Ended December 31, 2003***

---

Pursuant to rule 15c3-3(k)(2)(ii) regarding exemption from the provisions of section 240. 15c3-3, Stuart Stone & Company, L.L.C. carries no customer accounts, promptly transmits all customer funds and delivers all securities received in connection with its activities as a broker, does not hold funds or securities for, or owe money or securities to customers. Therefore, Stuart Stone & Company, L.L.C. is exempt from the provisions of this section. Consequently, information regarding the determination of reserve requirements, possession or control requirements and any related reconciliations are not herewith presented.



COHEN GREVE & COMPANY CPA, P.C.  
*Certified Public Accountants*

J. Timothy Sherman, CPA  
Sanford J. Schmidt, CPA  
Ellen R. Trageser, CPA  
Marc I. Cohen, CPA  
Henry P. Greve, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED  
PURSUANT TO RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

The Member  
Stuart Stone & Company, L.L.C.  
Florham Park, New Jersey

In planning and performing our audit of the financial statements of Stuart Stone & Company, L.L.C. for the year ended December 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Stuart Stone & Company, L.L.C. that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examination, counts, verifications and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the New York Stock Exchange and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

February 5, 2004

*Cohen Aron & Company*